



DEPARTMENT OF THE NAVY  
SPACE AND NAVAL WARFARE SYSTEMS COMMAND  
4301 PACIFIC HIGHWAY  
SAN DIEGO, CA 92110-3127

SPAWARINST 7301.1  
SPAWAR 01-4  
27 July 1999

SPAWAR INSTRUCTION 7301.1

From: Commander, Space and Naval Warfare Systems Command

Subj: COMMITMENT AND OBLIGATION REVIEWS AND ADJUSTMENTS

- Ref:
- (a) DoD Financial Management Regulation, DoD 7000-14R, Volume 3, Chapter 8
  - (b) DoD Financial Management Regulation, DoD 7000-14R, Volume 3, Chapter 15
  - (c) Navy Comptroller Manual, Volume 3, par. 039101
  - (d) ASN (FM&C) memo of 26 June 1996, Subj: Reviews of Commitments and Obligations
  - (e) ASN (FM&C) memo of 11 April 1996, Subj: Report of Obligation Review
  - (f) ASN (FM&C) memo of 13 March 1997, Subj: Obligations for Problem Disbursements

1. **Purpose.** To provide Space and Naval Warfare Systems Command (SPAWAR) policy to all SPAWAR and SPAWAR Systems Center civilian and military personnel involved with periodic and special commitment and obligation reviews and adjustments.

2. **Background.** References (a) through (d) require reviews of commitment and obligation records as to their accuracy, completeness, and timeliness at least three times a year. Accurate and timely obligation records are a critical factor in the avoidance and elimination of problem disbursements (unmatched disbursements and negative unliquidated obligations). They also decrease the potential for Anti-deficiency Act violations. SPAWAR program offices will benefit from these reviews in that timely deletion of invalid commitment records may make funding available for other uses. Another benefit is that reviews potentially result in higher obligation and expenditure rates.

3. **Scope.** Applies to commitment and obligation reviews and adjustments for all direct appropriations, funds of DoD Components, and reimbursable funds held by SPAWAR HQ. Establishes policy for SPAWAR Systems Center assistance in reviews and adjustments of commitments on SPAWAR Work Requests, Project Orders, Requests for Contractual Procurement, and Orders for Work and Services/Direct Citation.

4. **Roles and Responsibilities**

a. **Designation of Reviewing Officials and Performing Activities.**

(1) **Reviewing officials** are those organizations or individuals within the SPAWAR command who are responsible for conducting outstanding commitment and unliquidated obligation reviews. In addition to their responsibilities for continuously monitoring commitments

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and unliquidated obligations to ensure timely posting of obligations and expenditures, these officials are responsible for responding to monthly, quarterly, and annual reviews initiated by the Financial Control Division (SPAWAR 01-4). Reviewing officials include the Contracts Directorate (SPAWAR 02) for Headquarters contracts, Program Directorate (PD) and Program Management Office (PMW) Business and Financial Managers (BFMs), and SPAWAR Systems Center (SSC) Comptrollers.

(2) Performing commands/activities are those outside the SPAWAR command that perform on SPAWAR generated program directives and funding documents. BFM's will contact them for assistance in reviews, and SPAWAR 01-4 will contact them directly for assistance when appropriations are expiring, closing, or being placed under moratorium.

b. The Financial Control Division (SPAWAR 01-4) will:

(1) Initiate required commitment and obligation reviews and provide review officials and performing commands/activities with listings or automated media identifying both outstanding commitments (commitments that have not yet been obligated) and unliquidated obligations (obligations that have not yet been expended) under their management. The media will list commitments and unliquidated obligations by financial document number and will provide for documentation of review results at the document level. Listings will be annotated to show status of previous reviews of commitments and obligations in order to prevent duplication of previous review efforts.

(2) Perform necessary additional validation and post appropriate transactions to the Financial Information Management System (FIMS) and/or Standard Automated Reporting System (STARS) upon receipt of annotated listings and copies of obligation and expenditure documents from review officials and performing commands/activities.

(3) Monitor commitment and obligation reviews in progress and initiate additional actions in reviews where no or little progress is evident.

(4) Submit the formal confirmation statements required by references (d) and (e) and the fiscal year-end certification of obligations based on completion of these reviews. Maintain documentation of each confirmation and review for a period of 24 months after completion of the review.

c. Contracts Directorate (SPAWAR 02) Reviews for SPAWAR Headquarters Contracts.

(1) SPAWAR 01-4 will provide a monthly listing to SPAWAR 02 of all outstanding commitments over 30 days old for Headquarters contracts funded by active and expired appropriations.

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(2) SPAWAR 02 shall:

(a) Review each contract commitment to determine if it is still valid, if the amount is accurate, and whether the commitment has been converted to an obligation. When SPAWAR 02 records show that a commitment has been converted to an obligation, they shall provide a copy of the obligating document to SPAWAR 01-4 for posting into FIMS/STARS.

(b) Annotate the listing for valid commitments (yet to be awarded on contracts), contingent liabilities (commitments to be held until further contract actions are taken, regardless of age), and invalid commitments. Refer to paragraph 0802 of reference (a) for definitions of and provisions for contingent liabilities.

(c) Provide reasons for invalid commitments, e.g., they have been converted to obligations, requirements have been cancelled, or the contracts are closed.

(d) Return the annotated listing, obligation documents for commitments that should be obligated, and requests for credit fiscal sheets for commitments that should be cancelled to SPAWAR 01-4 within 20 calendar days for adjustment of FIMS/STARS records.

d. Reviews for Funding Documents Issued to SPAWAR Systems Centers (SSCs), other Systems Commands (SYSCOMS), and Field Activities that post obligations in STARS-HCM.

(1) SPAWAR 01-4 will provide monthly listings of outstanding commitments on active appropriations and of contingent liabilities on expired appropriations that are over 30 days old for funding documents issued to SSCs and commands/activities that post obligations in STARS-HCM. These reviewers will be requested to review the outstanding commitments to determine if the requirements are still valid, if the amounts of the commitments are accurate, and whether the commitments have been converted to obligations. When a commitment has been converted to an obligation (i.e., acceptance of reimbursable funds or award of a contract in response to a direct cite document), the reviewer shall promptly record the obligation in FIMS/STARS and annotate the listing that the obligation was posted. When an obligation cannot be recorded, but the outstanding commitment is valid, the reviewer shall annotate the listing with pertinent information.

(2) Annotated listings should be signed by an appropriate official and returned to SPAWAR 01-4 by the due date specified in the review memorandum.

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e. SPAWAR Program Directorate and Program Office Reviews. SPAWAR 01-4 will provide:

(1) Listings of outstanding commitments on active and expired appropriations that were not provided to SPAWAR 02, SSCs, or other command/activities to Business and Financial Managers (BFMs) for review:

(a) Quarterly at mid-quarter (November, February, and May) for the first three quarters of the fiscal year, and monthly during the last quarter.

(b) BFMs shall review each outstanding commitment to determine if the requirement is still valid, if the amount of the commitment is accurate, and whether the commitment has been converted to an obligation. BFMs shall provide copies of appropriate documentation (obligating documents, notices of reversion of funds, etc.) to SPAWAR 01-4 for posting into FIMS/STARS. The BFM shall also annotate review listings with pertinent information that supports either cancellation of the commitment or continued maintenance of the commitment on official records. Annotated listings shall be signed by the BFM and returned to SPAWAR 01-4 by specified due dates.

(2) Listings of unliquidated obligations of \$50,000 or more that have had no transaction activity for over 60 days for active and expired appropriations to BFMs for review:

(a) Quarterly at mid-quarter for all four quarters of the fiscal year.

(b) BFMs shall determine if the recorded obligation amount is accurate, whether the contract is still active, and whether goods or services have been received for which a disbursement has not been recorded. If it appears that a disbursement transaction should have been recorded, the BFM shall follow up with the contractor, performing activity, or paying office to determine the status of the disbursement and shall forward evidence of disbursements to SPAWAR 01-4 for follow-up. The listings should also be annotated with any information that provides the status of the unliquidated obligation or requires SPAWAR 01-4 action. The annotated listings should be signed by the BFM and returned to SPAWAR 01-4 by the specified due dates for information and appropriate action.

(3) Annual listings of unliquidated obligations for headquarters contracts not covered by paragraph 4e(2) above to BFMs for review. The responsibilities described in paragraph 4e(2) above apply to the review of these lower-valued unliquidated obligations as well.

##### **5. Commitment Reviews and Adjustments Upon Appropriation Expiration.**

a. References (b) and (c) require that outstanding commitments shall be canceled as of the end of the period that the appropriation is available for obligation. No commitments are to remain in expired appropriation accounts. However, paragraph 0802 of reference (a) provides

that amounts to cover contingent liabilities should be carried as outstanding commitments pending determination of actual contractual obligations.

b. SPAWAR 01-4 will provide listings of all outstanding commitments for expired appropriations, within 60 days after their expiration, to appropriate review officials and performing commands/activities for validation. Within 60 calendar days of receipt of the listings, reviewers shall provide evidence to SPAWAR 01-4 of outstanding commitments that were obligated prior to expiration of the appropriation, or that are contingent liabilities. SPAWAR 01-4 will record obligations in FIMS/STARS based on appropriate evidence, delete all other commitments remaining 150 days after appropriation expiration, and withdraw funding authority covering deleted commitments.

#### **6. Commitment Reviews and Adjustments For Appropriation Accounts Under Moratorium.**

a. Once a SPAWAR appropriation account is placed under moratorium as directed by reference (f), no new obligations or upward obligation adjustments shall be incurred against that account. Any balance of funds that becomes available must be used for recording unresolved over-aged problem disbursements until all are covered. Reference (f) requires SPAWAR to research outstanding commitments and unliquidated obligations to identify potential cancellations or reductions to be used to cover outstanding problem disbursements. However, paragraph 0802 of reference (a) provides that amounts to cover contingent liabilities should be carried as outstanding commitments pending determination of actual contractual obligations.

b. Upon placement of an appropriation under moratorium, SPAWAR 01-4 will provide listings of all outstanding commitments to appropriate review officials and performing commands/activities within five business days for review. Reviewers shall determine if any outstanding commitments or unliquidated obligations can be cancelled or reduced in order to free up funding to get the appropriation out of moratorium status. Within 10 business days after the date of the letter, reviewers shall respond with evidence that the commitments were obligated prior to the date of the moratorium, or they are contingent liabilities, or they can be cancelled or reduced. SPAWAR 01-4 will follow up as necessary to ensure appropriate reviews of commitments and unliquidated obligations on moratorium accounts, shall mark them in monthly reviews for special attention, and shall make appropriate adjustments in FIMS/STARS.

#### **7. Special Unliquidated Obligation Reviews for Appropriations to be Closed.**

a. In the fiscal year in which an appropriation is scheduled to close, special reviews of unliquidated obligations shall be conducted. The objective is to have no unliquidated obligations on accounts when they close, since later payments against these obligations will be made against current appropriation accounts.

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b. SPAWAR 01-4 will provide a listing of unliquidated obligations on closing SPAWAR appropriation accounts to appropriate review officials and performing commands/activities by December of the fiscal year in which the accounts will close.

c. Reviewers shall follow-up with contractors and paying offices to determine why expenditures have not been recorded against these obligations. They shall forward all findings and appropriate documents to SPAWAR 01-4 for posting into FIMS/STARS prior to fiscal year-end closing (mid-October after the fiscal year end).

8. **Action.** All SPAWAR and SPAWAR Systems Center personnel involved with SPAWAR commitment and obligation reviews shall comply with the policy in this instruction. Compliance with this instruction will be reviewed periodically by the SPAWAR Inspector General or the SPAWAR Systems Center Command Evaluation and Review staffs, as appropriate. Only the SPAWAR Comptroller (SPAWAR 01) may approve exceptions to this policy.

Distribution:  
SPAWAR List 3

SNDL PART II:  
FKQ (SPAWAR Activities)

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SPAWAR 07-5



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